

THE FOREST INDUSTRY SNAPSHOT: Ministry of Forests, Lands and Natural Resource Operations

February 2012



A Selection of Monthly Economic Statistics



Points of interest:

Annual Stats for 2011 (part II)

B.C. Forest Product Exports in 2011

B.C. forest product exports totalled **\$9.95 billion** (\$5.67 billion for wood products and \$4.28 billion for pulp & paper products) in 2011, **up 8.8%** from 2010 (up 30.9% from 2009) and **accounted for 30.3% of B.C. total export value in 2011.**

The U.S. continued to be our primary trading partner in 2011. B.C. exported \$3.83 billion forest products to the United States, down 7.3% from 2010, accounting for 38.4% of the total value of B.C. forest product exports. **China** has emerged as our second-largest export market. B.C. exported \$3.24 billion forest products to China in 2011, **up 47.1% from 2010**, accounting for 32.6% of the total value of B.C. forest product exports. **Japan** was our 3rd largest foreign market in 2011. B.C. exported \$1.16 billion forest products to Japan, up 1.9% from 2010, accounting for 11.6% of the total value of B.C. forest product exports.

Share of export value by product in 2011: Softwood Lumber (38.2%), Logs (5.9%), Other Wood Products (12.9%), Pulp (32.1%) and Other Paper Products (10.8%).

B.C. Softwood Lumber Production (SWL) in 2011

In 2011, B.C. produced **29.1 million m³** (25.8 million m³ in Interior and 3.3 million m³ on the Coast) **softwood lumber, up 8.0%** from 2010 (up 26.8 from 2009), and accounted for **55.2% of Canada total softwood lumber production.** SWL production in Rest of Canada declined 6.9% from 2010 to 2011.

Data source: Statistics Canada.

For further information please contact:

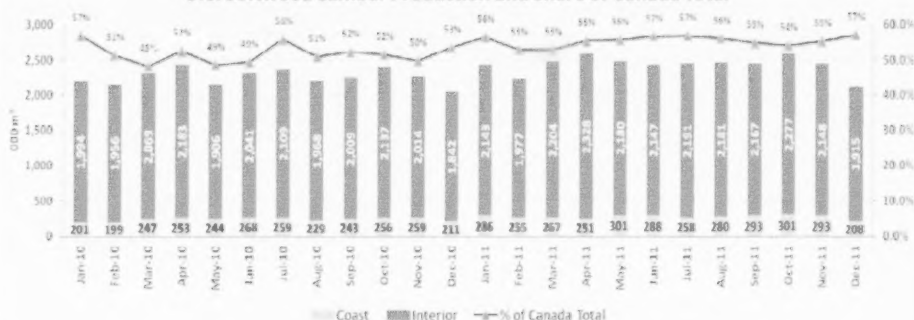
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SOFTWOOD LUMBER MARKET

U.S. Housing Starts* and SPF 2x4 Prices



B.C. Softwood Lumber Production and Share of Canada Total



Data sources: Madison's, US Census Bureau and Statistics Canada. * privately-owned housing starts, seasonally adjusted annual rate (SAAR).

- **U.S. privately-owned housing starts** in January were at a seasonally adjusted annual rate of 699,000. This is 1.5% above the revised December rate, and is 9.9% above the January 2011 rate. **Sales of new homes** including new and existing homes in the U.S. were at a seasonally adjusted annual rate of 307,000 in December 2011, down 2.2% M/M and down 7.3% Y/Y. U.S. seasonally adjusted unemployment rate was 8.3% in January 2012, down from 9.1% one year ago. (from U.S. Census Bureau and U.S. Bureau of Labour Statistics).
- **SPF 2x4 price** increased further to **US\$254** (\$257) in January 2012, up 5.6% M/M and down 18.4% Y/Y. The Canadian dollar averaged \$1.0133 per US\$ in January 2012.
- In December 2011, **B.C. softwood lumber production** totalled 2.12 million m³, down 13.0% M/M and up 3.4% Y/Y. 90.2% of the production was from the Interior.
- In December 2011, **B.C. softwood lumber exports value** totalled \$252 million, down 5.1% Y/Y. **B.C. softwood lumber exports volume** totalled 1.70 million m³, up 13.1% Y/Y. The top three destinations for softwood lumber exports in December 2011 were: U.S. (value: 42.0%; volume: 49.2%), China (value: 28.8%; volume: 32.2%), and Japan (value: 17.1%; volume: 10.8%).

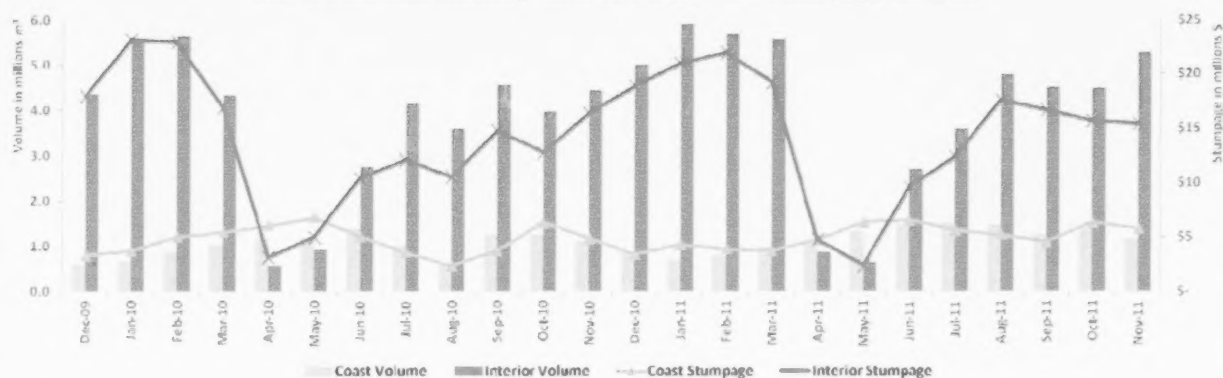
Common Abbreviations:

\$ - Canadian dollars unless noted as US\$
M/M - % change from the previous to current month

Y/Y - % change from the same month in the previous year to the current year
YTD - year to date
China - refers to China, including Hong Kong

HARVESTING

B.C. Crown Land Monthly Harvest Volume* and Stumpage Revenue



Data source: Harvest Billing System of Ministry of Forests, Lands and Natural Resource Operations

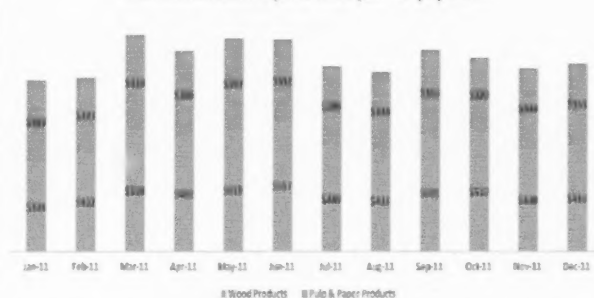
*Based on scale data, all logs (BCTS & Major), special forest products, species and grades billed to Crown land excluding waste, reject and Christmas trees. Data in recent months is subject to change.

COAST harvest volume for all land (including Crown, private and federal) totalled 1.54 million m³ in November 2011, up 4.3% Y/Y. Crown land harvest volume totalled 1.16 million m³, up 3.9% Y/Y. **Stumpage revenue** collected was \$5.75 million in November 2011, up 17.4% Y/Y.

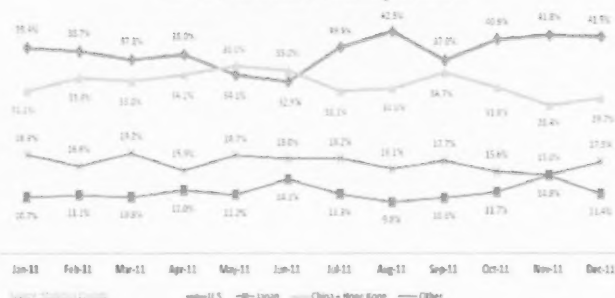
INTERIOR harvest volume for all land (including Crown, private and federal) totalled 5.38 million m³ in November 2011, up 17.7% Y/Y. Crown land harvest volume totalled 5.29 million m³, up 19.1% Y/Y. **Stumpage revenue** collected was \$15.41 million in November 2011, down 5.6% Y/Y.

EXPORTS

B.C. Forest Product Exports Value (\$million) by Sector



Share of B.C. Forest Product Exports Value



B.C. forest product exports totalled \$808 million in December 2011, up 2.5% M/M, down 1.8% Y/Y, and up 8.8% YTD from 2010:

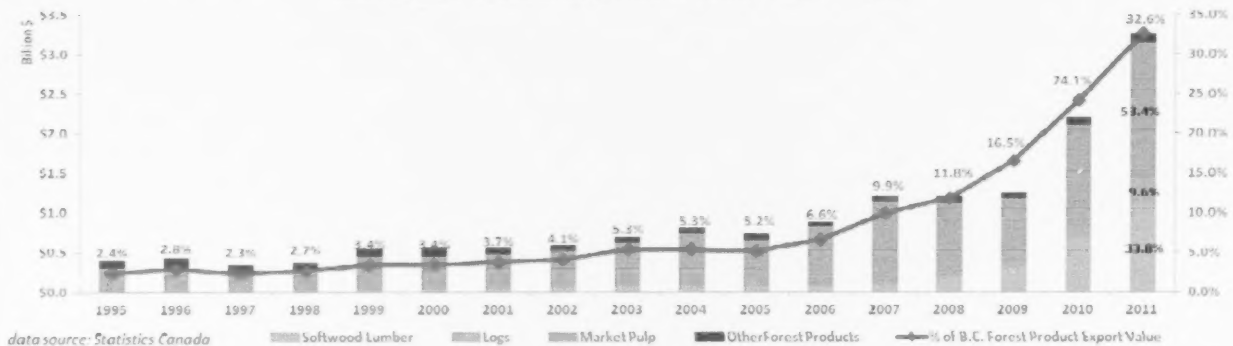
- **Wood product exports** totalled \$454 million in December, down 3.6% M/M, up 0.4% Y/Y, and up 11.1% YTD from 2010; and
- **Pulp & paper product exports** totalled \$353 million in December, up 1.2% M/M, down 4.4% Y/Y, and up 6.0% YTD from 2010.
- **Export value shares by product** in December 2011: Softwood Lumber (38.8%), Logs (5.3%), Other Wood Products (12.2%), Pulp (32.6%), and Other Pulp & Paper Products (11.2%).

In December 2011, **U.S. was the largest destination market** for B.C. forest product exports value with a share of 41.5%, while China accounted for 29.7%, Japan accounted for 11.4% and other destinations accounted for 17.5%.

- **Exports to U.S.** totalled \$335 million, up 1.8% M/M, up 12.6% Y/Y and down 7.3% YTD from 2010.
- **Exports to China** totalled \$240 million, up 7.1% M/M, down 16.0% Y/Y and up 47.1% YTD from 2010.
- **Exports to Japan** totalled \$92 million, down 21.4% M/M, down 5.7% Y/Y and up 1.9% YTD from 2010.

CHINA MARKET 2011 OVERVIEW

B.C. Forest Products Exported to China, 1995 - 2011



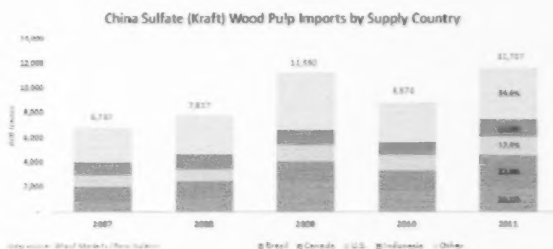
China is the world's second largest economy (US\$7.43 trillion nominal, 2011 est.) after the United States. It is the world's fastest-growing major economy, with growth rates averaging 10% over the past 30 years. China is also the largest exporter (US\$1.897 trillion in 2011) and second largest importer of goods (US\$1.664 trillion in 2011) in the world (source: Wikipedia). During the past 30 years, China's economy has changed from centrally planned and largely closed to international trade to more market-oriented with a rapidly growing private sector.

According to the initial statistics from State Forestry Administration, China's forest products import and export trade value reached US\$116 billion in 2011, up 24% from 2010 (data source: Wood Markets China Bulletin).

With continuing diversification of B.C. forest product export markets, China has emerged as B.C.'s second-largest export market with total value of \$3.24 billion in 2011. China's share of B.C. forest product export value increased dramatically from 6.6% in 2006 to 32.6% in 2011 (data source: Statistics Canada).

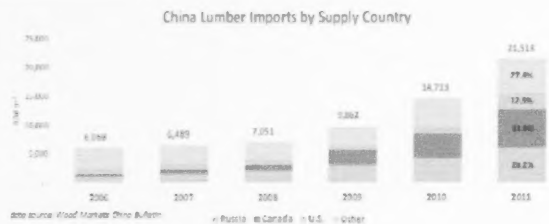
In 2011, China imported 11.7 million tonnes of kraft wood pulp, up 31.9% from 2010. Canada (40%+ from B.C.) was the largest supplier with 2.7 million tonnes in volume, accounting for 23.0% of China's total kraft wood pulp import volume, followed by Brazil (16.1%), U.S. (12.4%), Indonesia (11.8%) and others (36.7%) (data source: Wood Markets China Bulletin).

Market pulp has been the dominant forest product China imported from B.C. In 2011, market pulp accounted for 53.4% of China's total forest product import value from B.C. China has been B.C.'s largest foreign market for market pulp since 2007 with a share of 54.1% of B.C. total market pulp export value in 2011 (data source: Statistics Canada).



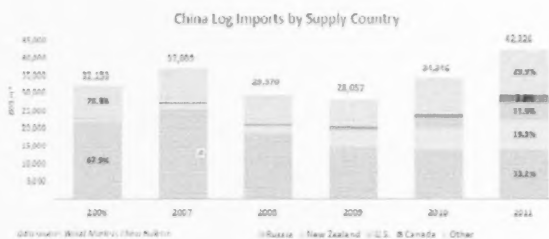
China became the world's largest importer of logs and lumber in 2011 (source: Wood Resources International). China imported 21.5 million m³ of lumber in 2011, up 46.3% from 2010; up 254.6% from 2006. Canada (70%+ from B.C.) overtook Russia as the largest lumber supplier to China, supplying 6.9 million m³ (31.9% of China's total lumber imports) in 2011, followed by Russia (28.2%), U.S. (12.5%) and other (27.4%) (data source: Wood Markets China Bulletin).

In 2011, softwood lumber accounted for 33.8% of China's total forest product import value from B.C. China became our second largest export market (after the U.S.) for softwood lumber with a share of 28.8% of B.C. total softwood lumber export value in 2011 (data source: Statistics Canada).



In 2011, China imported 42.3 mil. m³ of logs, up 23% from 2010. Russia was the largest supplier of logs to China in 2011 with 33.2% share of China's total log import volume, followed by New Zealand (19.5%), U.S. (11.5%), Canada (5.8%; 95%+ from B.C.) and Other (29.9%) (data source: Wood Markets China Bulletin).

In 2011, logs accounted for 9.6% of China's total forest product import value from B.C. China became our largest export market for logs with a share of 53.0% of B.C. total log export value in 2011 (data source: Statistics Canada).



DATA SUMMARY

Selected Monthly Economic Statistics - February 2012

	Latest Month	Month Ago	M/M Change	Year Ago	Y/Y Change	Current YTD	Previous YTD	YTD/YTD* Change	
Lumber Prices (US\$/000 bd ft)									
SPF 2x4	Jan 12	\$254	\$240	5.6%	\$311	-18.4%	\$254	\$311	-18.4%
Random Lengths Lumber Composite	Jan 12	\$280	\$267	4.8%	\$304	-7.8%	\$280	\$304	-7.8%
SPF 2x10	Jan 12	\$310	\$257	20.6%	\$345	-10.1%	\$310	\$345	-10.1%
SPF Stud	Jan 12	\$262	\$242	8.3%	\$274	-4.3%	\$262	\$274	-4.3%
Cedar 2x4	Jan 12	\$630	\$630	0.0%	\$650	-3.1%	\$630	\$650	-3.1%
Hemlock Squares	Jan 12	\$825	\$825	0.0%	\$785	5.1%	\$825	\$785	5.1%
Panel Prices (US\$/000 sq ft)									
Plywood	Jan 12	\$312	\$304	2.3%	\$308	1.3%	\$312	\$308	1.3%
OSB	Jan 12	\$200	\$195	2.6%	\$210	-4.8%	\$200	\$210	-4.8%
Pulp & Paper Prices (US\$/tonne)									
NBSK Pulp	Jan 12	\$832	\$846	-1.8%	\$949	-12.4%	\$832	\$949	-12.4%
Newsprint (U.S. Eastcoast)	Jan 12	\$624	\$624	0.0%	\$626	-0.3%	\$624	\$626	-0.3%
\$/US\$ Exchange Rate									
	Jan 12	1.0133	1.0238	-1.0%	0.9938	2.0%	1.0133	0.9938	2.0%
Housing Starts (000 units)									
U.S. (Seasonally Adjusted Annual Rates)	Jan 12	699	689	1.5%	636	9.9%	699	636	9.9%
Canada	Jan 12	198	200	-1.1%	167	18.4%	198	167	18.4%
Japan (Wood-based)	Dec 11	41	40	1.0%	44	-7.0%	465	460	1.0%
B.C. Lumber Production (000 m³)									
Coast	Dec 11	2,123	2,441	-13.0%	2,053	3.4%	29,137	26,987	8.0%
Interior	Dec 11	208	293	-28.8%	211	-1.2%	3,281	2,868	14.4%
	Dec 11	1,915	2,148	-10.8%	1,842	4.0%	25,857	24,227	6.7%
B.C. Market Pulp Shipments (000 tonne)									
	Dec 11	404	360	12.2%	414	-2.4%	4,491	3,594	25.0%
B.C. Forest Products Exports (million \$)									
Wood Products	Dec 11	\$808	\$788	2.5%	\$822	1.8%	\$9,950	\$9,143	8.8%
Pulp & Paper products	Dec 11	\$454	\$438	3.6%	\$452	0.4%	\$5,672	\$5,106	11.1%
	Dec 11	\$353	\$349	1.2%	\$370	-4.4%	\$4,278	\$4,037	6.0%
Shares of B.C. Forest Products Exports Value (%)									
U.S.	Dec 11	41.5%	41.8%	-0.7%	36.2%	14.7%	38.4%	45.1%	-14.8%
China + Hong Kong	Dec 11	29.7%	28.4%	4.4%	34.7%	-14.4%	32.6%	24.1%	35.2%
Japan	Dec 11	11.4%	14.8%	-23.4%	11.8%	-4.0%	11.6%	12.4%	-6.4%
Other	Dec 11	17.5%	15.0%	16.7%	17.3%	1.0%	17.3%	18.3%	-5.6%
Market Shares of U.S. Lumber Consumption (%)									
B.C.	Dec 11	17.4%	14.4%	21.0%	14.7%	18.7%	14.0%	16.0%	-12.1%
Rest of Canada	Dec 11	11.3%	12.5%	-8.9%	12.0%	-5.5%	11.9%	11.5%	3.2%
U.S.	Dec 11	71.3%	73.2%	-2.6%	73.3%	-2.8%	74.1%	72.5%	2.2%
3rd Country	Dec 11	1.1%	1.2%	-10.0%	1.3%	-18.9%	1.3%	1.3%	-2.7%
B.C. Crown Land Scaled Volume** (000 m³)									
Coast	Nov 11	6,443	5,868	9.8%	5,553	16.0%	57,202	51,975	10.1%
Interior	Nov 11	1,156	1,383	-16.4%	1,112	3.9%	13,169	11,472	14.8%
	Nov 11	5,287	4,485	17.9%	4,440	19.1%	44,033	40,504	8.7%
B.C. Stumpage (million \$)									
Coast	Nov 11	\$21.2	\$22.0	-3.8%	\$21.2	-0.3%	\$213.4	\$200.9	6.2%
Interior	Nov 11	\$5.7	\$6.3	-9.2%	\$4.9	17.4%	\$56.9	\$52.9	7.5%
	Nov 11	\$15.4	\$15.7	-1.6%	\$16.3	-5.6%	\$156.5	\$148.0	5.8%
B.C. Forestry Employment (LFS) (000 jobs)									
Forestry & Logging	Jan 12	51.2	51.1	0.2%	52.0	-1.5%	51.2	52.0	-1.5%
Wood Products	Jan 12	12.6	14.4	-12.5%	10.8	16.7%	12.6	10.8	16.7%
Paper Products	Jan 12	29.1	28.8	1.0%	30.9	-5.8%	29.1	30.9	-5.8%
	Jan 12	9.5	7.9	20.1%	10.3	-7.8%	9.5	10.3	-7.8%
B.C. Log Exports									
Volume (000 m³)	Dec 11	415	201	106.3%	374	10.9%	5,485	3,738	46.7%
Value (million \$)	Dec 11	\$42.6	\$23.0	85.3%	\$39.1	9.0%	\$587.9	\$372.9	57.7%

* based on calendar year, change % from the same year-to-date period of the previous year to the year-to-date of current year.

** Preliminary data and subject to change.